

## HOUSE BILL NO. 300

INTRODUCED BY D. WANZENRIED

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE MANNER IN WHICH AN INDEPENDENT LIABILITY FUND MAY BE TERMINATED; PROVIDING THAT AN INDEPENDENT LIABILITY FUND MAY BE TERMINATED WITHIN 5 YEARS OR ANY LEGALLY REQUIRED PERIOD OF INSURANCE COVERAGE; PROVIDING THAT A BUSINESS WITH AN INDEPENDENT LIABILITY FUND MAY TERMINATE THE FUND BY SUBSTITUTING EQUIVALENT LIABILITY INSURANCE FOR A PERIOD OF 5 YEARS OR THE LEGALLY REQUIRED PERIOD FOR INSURANCE COVERAGE, WHICHEVER IS LONGER; AND AMENDING SECTIONS 15-30-107, 15-31-118, AND 33-27-119, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 15-30-107, MCA, is amended to read:

**"15-30-107. Taxable liability on termination of independent liability fund.** If an independent liability fund established pursuant to Title 33, chapter 27, is terminated as provided in 33-27-119, the income from the principal distributed pursuant to 33-27-119(2)(3) is taxable to that person or persons under the applicable provisions of this chapter."

**Section 2.** Section 15-31-118, MCA, is amended to read:

**"15-31-118. Taxable liability on termination of independent liability fund.** If an independent liability fund established pursuant to Title 33, chapter 27, is terminated as provided in 33-27-119, the income from the principal distributed pursuant to 33-27-119(2)(3) is taxable to that person or persons under the applicable provisions of this chapter."

**Section 3.** Section 33-27-119, MCA, is amended to read:

**"33-27-119. Termination of independent liability fund.** (1) ~~When a~~ A small business with an independent liability fund ~~ceases its operations, either voluntarily or involuntarily, it shall~~ may terminate the independent liability fund by:

(a) ~~provide~~ providing a trust to administer any principal remaining in its fund and to pay any

1 outstanding claims for WHICHEVER IS LONGER: the longest of the following applicable periods:  
2 ~~—— (a) any statute of limitations applicable to operations of that particular small business;~~  
3 ~~—— (b)(i) any legally required period of insurance coverage; or~~  
4 ~~(c)(ii) 15 5 years; or~~  
5 (b) substituting an equivalent liability insurance policy PLUS FIVE TIMES THE AMOUNT OF THE DEDUCTIBLE  
6 for any legally required period of insurance coverage or 5 years, whichever is longer.  
7 (2) If an equivalent insurance policy as provided for in subsection (1)(b) cannot be procured for  
8 the full period required, the small business shall deposit the estimated premium for the required equivalent  
9 insurance policy in a suitable trust account. The trust account must be used to purchase liability insurance  
10 for the required period of insurance coverage.  
11 ~~(2)(3)~~ The principal of an independent liability fund must remain inviolate, except as it is needed  
12 to pay just claims, for the full applicable termination period as provided in subsection (1). However,  
13 income from the principal not needed for administrative costs may be paid during the termination period  
14 to the person or persons who are designated to ultimately receive the principal of the fund, and such the  
15 income is taxable to that person or persons."  
16 - END -